

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 669 - HB 1548

April 2, 2009

SUMMARY OF BILL: Prohibits a health insurance policy or health care service plan contract from limiting, reducing, or denying coverage of any drug, if prior to the limitation, reduction, or denial the insured was using the drug; the insured was covered under the policy or contract; and the drug was covered under the policy or contract.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$81,465,300

Increase Local Expenditures – Exceeds \$100,000*

Increase Federal Expenditures - \$233,534,700

Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation would result in an increase in the cost of health insurance premiums which exceeds \$100,000 for plans that are currently using pharmacy limitations.

Assumptions:

- According to the Bureau of TennCare, the program will no longer be able to realize the savings associated with the Prospective Drug Utilization Review (ProDUR), the pharmacy limits, and the maximum allowable costs (MAC).
- ProDUR is a system to review drug usage prior to the drug being dispensed from the pharmacy. Edits that come up on the pharmacy computer system while the pharmacist is processing the prescription are considered ProDUR edits and can lead to denials or drug substitutions. These include edits for any drug interactions, therapeutic duplication, or excessive doses. TennCare estimates savings based on ProDUR to be \$180,000,000.
- TennCare patients are limited to five prescriptions per month (or 2 branded medications per month). TennCare estimates these savings to be \$69,000,000.

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- MAC pricing is applied to represent the maximum amount TennCare will pay for a particular generic drug driving the utilization to the less costly products and helping to reduce costs for the program. TennCare estimates these savings at \$66,000,000.
- The \$315,000,000 in unrealized savings will result in an increase in expenditures to cover the funds. Of this amount, \$81,465,300 will be state funds at a rate of 25.862 percent and \$233,534,700 will be federal funds at a match rate of 74.138 percent.
- According to the Department of Finance and Administration, the proposed legislation will not impact the State Employee, Local Government, and Local Education Health Plans.
- Local governments that do not opt into the State Employee Health Plan may incur an increase in expenditures exceeding \$100,000 if limitations are reduced.
- The Department of Commerce and Insurance will be responsible for administering and enforcing the provisions of the bill which will be done through the investigation of complaints.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/kml